ALASKA PERMANENT FUND CORPORATION

ANNUAL MEETING OF THE BOARD OF TRUSTEES

September 27-28, 2016
8:30 a.m.

Location of Meeting:
Alaska Permanent Fund Corporation
801 West 10th Street
Juneau, Alaska 99801

SUMMARY MINUTES

Trustees Present:	William G. Moran, Chair Carl Brady, Vice Chair Larry Cash Sheldon Fisher Marty Rutherford Randall Hoffbeck	
Investment Advisor:	George Zinn	
Staff Present:	Angela Rodell Brian Duncan Chris Poag Chris Cummins Valeria Martinez Stephen Moseley Christi Grussendorf Jared Brimberry Masha Skuratovskaya Moctar Diouf Yup Kim Kaitlin Lafavor Robin Mason John Seagren Katy Giorgio Shannon McCain	Russell Read Valerie Mertz Paulyn Swanson Rose Duran Marcus Frampton Jim Parise Fawad Razzaque Karen Emberton Matt Olmstad Tim Andreyka Laura Achee Chad Brown Chris LaVallee Katie Smith Jacki Mallinger Jane Sherbrooke
Other participants:	Greg Allen, Callan Beth Stuart, KPMG Julian Agnew, La Salle U.K. Myles Sanger, CRBE Global Paul Saylor, CS Capital Pat Forgey Sally Willson	Steve Center, Callan Melissa Beedle, KPMG Mandi Mokrane, La Salle U.K. Sabina Kalyan, CRBE Global Michael McHargue, CS Capital Tom Gemmell

SEPTEMBER 27, 2016

CALL TO ORDER

CHAIR MORAN called the meeting to order at 8:30 a.m.

ROLL CALL

TRUSTEES MORAN, BRADY, CASH, RUTHERFORD, FISHER and HOFFBECK were present to form a quorum.

APPROVAL OF AGENDA

There were no objections raised to the meeting agenda as presented.

APPROVAL OF MINUTES (May 24-25, 2016)

There being no objections raised, the minutes from May 24-25, 2016 were approved as presented.

SCHEDULED APPEARANCES AND PUBLIC PARTICIPATION

There were no scheduled appearances or public participation.

EXECUTIVE DIRECTOR'S REPORTS

CEO, ANGELA RODELL welcomed everybody to Juneau and began with the communications report. She stated that the Trustees have a copy of the 2016 annual report laid out by Walsh Sheppard from Anchorage. She moved to the financial report and pointed out that the amount of mineral revenue for fiscal year '16 was $284.5 million, which is significantly lower than in previous years. She gave an update as to what some of the manager moves have been, and pointed out the sale of some of the limited partnerships in the private-equity portfolio.

CHAIR MORAN asked for a summary of the redemption notice on the absolute return funds.

MR. READ replied that the total size of the hedge fund-of-funds program was about $2.3 billion, with the expectation that the majority of that will liquidate by the end of the year. He stated that it would take until the middle of next year before all are liquidated. He continued that the amount that was allocated to absolute-return investments, which is about 10 percent, would be dropping to around 6 percent. He added that the individual hedge funds are being evaluated for inclusion into that program.

MS. RODELL introduced and welcomed to the Permanent Fund Corporation new staff members: Shannon McCain, the new administrative director; Jared Brimberry and Yup Kim, working on special opportunities; Anthony Shaw, in the IT group; and Robin Mason, in one of the IT positions.

MS. RODELL stated that, under statute, the Permanent Fund is required to use the Department of Law as its primary legal counsel. She continued that the Department of Law supported the creation of a list of ten law firms that could be used for advice, depending on the type of investment.

CHAIR MORAN moved on to the report of annual audit and recognized Ms. Valerie Mertz.

MS. MERTZ stated that the 2016 annual audit has been finalized and is located at the back of the annual report. She added that the agreed-upon procedures report has also been finalized. She introduced Melissa Beedle, the Juneau-based engagement manager, and Beth Stuart, who will present the audit.

MS. STUART stated that there is a presentation on the results of the annual audit in the packet and gave a summarized version of information that was shared with the Audit Committee at the work session earlier in September. The audit procedures have been completed and an audit opinion issued. She continued that audit opinion is an unmodified, clean opinion on the financial statements of the Fund. She added that there were no significant changes to the audit plan from what was initially discussed with the Audit Committee in May, or the results that were discussed with the Audit Committee in early September. She stated that the audit procedures were completed following both Generally Accepted Auditing Standards, as well as Government Auditing Standards, which layer incrementally on top of Generally Accepted Auditing Standards.

MS. STUART moved on to the agreed-upon procedures report, which was a very limited scope engagement with a limited distribution. The agreed-upon procedures related specifically to wire transfers, and two different aspects of the wire transfer procedures that the Corporation has in place. She stated that no exceptions were found in those procedures. She stated that the documentation and the Corporation's procedures around establishing new bank accounts were examined and validated, and no exceptions were found in that process either.

MR. ZINN pointed out that this is a very timely topic and talked about the Swift Network, which is the messaging platform between banks, being hacked. He stated that it is important to be current on the software.

CHAIR MORAN asked for a motion to accept the audit.

> **MOTION:** TRUSTEE HOFFBECK moved that the Board accept the annual audited financial statements for FY16. TRUSTEE CASH seconded the motion.
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> Following the roll call vote, the MOTION WAS APPROVED by all Trustees in attendance.

CHAIR MORAN commented on another great job on the financial operations, and then moved to the risk dashboard.

RISK DASHBOARD

MR. READ began with a good-news perspective on the investment performance both now and for the future. The investment return of the Permanent Fund for fiscal year 2016 was 1.02 percent, which was in the middle of the pack among U.S. public plans, and generally better than figures posted by endowments. Although this investment return may first appear uninspiring, it marks an important transformation in both the markets and for the Permanent Fund specifically. He stated that the recommendations for configuring the Permanent Fund portfolio and its investment teams to develop compelling, risk-controlled performance over the coming five years and beyond will be heard today. He continued explaining investment risk efficiency, which is the natural extension of the risk measurement and the control framework, which APFC has developed over the last years and will continue to maintain. He noted one important distinction: investment risk efficiency shifts the focus of the efforts to delivering investment returns whenever and wherever a risk is undertaken. He added that doing so should enable APFC to join the ranks of the best institutional investment plans globally. He explained the categorization, which reflects the changing opportunities set in international markets, as well as a refocusing of APFC's investment team's current and expected future strengths.

MR. READ introduced Valeria Martinez who is the director of risk management and asset allocation. She will deliver a report and offer Q and A regarding the risk dashboard.

MS. MARTINEZ began with the section of the portfolio that is an overview of risk and asset allocation, as well as the resulting performance of the asset allocation for the quarter, and the fiscal year. She added that all of the reports are in the appendix. She began with a snapshot of the Fund's cumulative performance for the past five years, and then moved to the performance of the Fund, the risk that was taken to achieve that performance, and then how the Fund was positioned. She explained liquidity, which will become more important in the portfolio as allocations to private assets are increased.

CHAIR MORAN asked for any other questions, and then called a short break.

(Break.)

CHAIR MORAN called the meeting back to order and proceeded with the asset class updates.

ASSET CLASS UPDATES

MR. READ introduced Jim Parise, the current head of fixed income.

FIXED INCOME

MR. PARISE offered an overview of the bond portfolio. He stated that it has done pretty well, even when it underperformed. He added that they are happy with the performance. He moved to the internal fixed income aggregate portfolio and explained that there used to be a $10 billion aggregate portfolio, which was broken up into individual buckets. He stated that instead of having all the bonds in one bucket against one index, it was broken up and had six different buckets against six different indices. The idea was to reconstitute an aggregate index, which is all the U.S. investment-grade sectors put into one portfolio, and which is reflected by one index. CHAIR MORAN asked for any questions, and then thanked Mr. Parise.

MR. READ introduced the head of global equities, Mr. Fawad Razzaque.

PUBLIC EQUITIES

MR. RAZZAQUE began with the positioning, which is a function of opportunities in the market, explained the performance, and then talked about the vision of best in class of public equity programs for APFC over the next two to five years.

MR. READ introduced Rose Duran, director of real estate.

REAL ESTATE

MS. DURAN introduced Christi Grussendorf and Tim Andreyka to present the update.

MR. ANDREYKA began the presentation with the real estate investments compared to the allocation, and then continued with the performance overview. In the industrial portfolio, eight new buildings were acquired in the Lincoln Joint Venture, producing a 13.30 percent index. He stated the multifamily continued to do well, but the office portfolio underperformed the index. He explained this more fully and added that retail was slightly below the index. He moved to the private real estate portfolio by manager and stated that CBRE underperformed for the year; that portfolio had been transitioned to other managers. CBRE Europe has done well for the year, 26.2 percent. He explained in detail and moved to the public real estate portfolio. The American Homes 4 Rent sale closed earlier in the month, and a small portion of that will be retained. He continued with the NCREIF transaction volume versus cap rates and stated that there has been a continued transaction in cap rates.

MS. GRUSSENDORF stated that, as of June 30th, the total real estate portfolio had a 94.29 percent occupancy, and the NCREIF NPI was at 93.21 percent, which set a new 15-year high. She highlighted a few things on each slide in the presentation for an idea of how each property type is doing. She stated that, overall the multifamily sector had solid leasing activity supported by job creation, favorable demographic trends, and declining home ownership. These trends should continue. Industrial continues to be a strong performer and had the highest occupancy in the NPI in the last quarter. She moved to the development exposure, the debt on the portfolio, and continued explaining the real estate portfolio.

MS. DURAN recapped that NCREIF shows that the actual transaction levels are still increasing, and then concluded her report.

CHAIR MORAN called a break for lunch.

(Lunch break.)

MR. READ introduced Steve Moseley who leads APFC's private equity and special growth opportunities efforts.

PRIVATE EQUITY AND SPECIAL GROWTH OPPORTUNITIES

MR. MOSELEY began with the background and context of private equity at the Permanent Fund, noting that it entered private equity about 11 years ago through a fund-of-funds account format. He explained that recently the investment activity has fallen into four categories: committing to private equity funds; making targeted co-investments alongside those managers; making special opportunities investments pursuant to important themes and applying a higher degree of structural flexibility; and selling some assets. He explained that private equity only makes sense as a strategy, as an asset class, if the public equity benchmarks are exceeded over time, and only makes sense if the private equity median can be exceeded.

MS. RODELL stated that Mr. Moseley would be bringing back a revised, updated pacing schedule pending the outcome of the investment policy changes at the December board meeting.

MR. READ stated anticipation of a recommendation to increase the pacing by 10 to 25 percent over the coming several years.

MR. MOSELEY introduced Yup Kim, adding that it was a great joy to double the size of the private equity investment operation.

MR. READ introduced Marcus Frampton and Jared Brimberry. He stated that Mr. Frampton runs the infrastructure and special income opportunities portfolio, including private credit.

INFRASTRUCTURE AND SPECIAL INCOME OPPORTUNITIES

MS. RODELL stated that Mr. Brimberry was born and raised in Eagle River, moved out with his parents, and is now back in Alaska.

MR. FRAMPTON stated that Mr. Brimberry comes from J. P. Morgan where he worked in the leveraged finance group and has a lot of good background working private credit. He continued that the absolute return portfolio is the hedge fund portfolio, which is an $8.4 billion portfolio, and encompasses 15.6 percent of the Permanent Fund. He went into more detail on infrastructure, and stated that this format is what he presents at every board meeting, grouping the subcategories of the infrastructure portfolio, showing out results. He continued that, on an overall basis, it is at 8.6 percent.

MR. BRIMBERRY stated that the private credit portfolio is just under $1.1 billion. He highlighted that the Crestline Credit Opportunities Fund was one of the initial ways to get into private credit when the Board made the decision. It was an Evergreen structure of about a billion dollars' worth of commitment and was to underline fund managers across the credit spectrum. The decision was made to move away from that and instead evaluate funds by meeting and understanding their managers. This also gives more insight into what the funds are doing, understanding what is driving the return in the private credit portfolio.

MR. FRAMPTON moved to a discussion of hedge funds, stating that this was a focus at the May board meeting. He talked about strategy going forward. He continued that the fund-of-funds had a tough 2016, but outperformed the overall hedge fund industry. He moved to the direct program, noting that the vision for the program within four or five years is to have roughly equal weighted fund exposures, 20 managers that we have high conviction in and are delivering high single-digit net returns.

PERFORMANCE REVIEW

MR. ALLEN stated that he has been working with the Permanent Fund since the '90's on and off, but directly for the last four or five years. He continued that he gets to see a lot of what all his clients are doing, and the important roles Callan has on an ongoing basis. He explained that they measure the performance of the Fund and all the asset classes and help put it into context; how it looks relative to other funds in the marketplace; why is it outperforming or underperforming relative to other funds. He then gave a strategic view of where the Permanent Fund's decisions are different from other big institutional investors. He made a few comments on context and stated that, in time, in explaining performance, it is going to be much more single-investment specific. He noted that the proposal to reorganize how the portfolio is looked at would make their job easier. He stated that there are three benchmarks: the risk benchmark; the performance benchmark; and the board asset class benchmark. He continued that if that can be collapsed down and have just one benchmark and everyone talking from the same perspective, it will be great for clarifying the communication. He explained in detail and recommended that the Board seriously consider Mr. Read's framework.

MR. CENTER went quickly through the market commentary and then talked about the Fund's performance. He stated that, overall, all areas of the fixed-income market performed very well. His final slide touched on the U.S. economy, which continues to be one of the lone bright spots on the global marketplace.

A short discussion ensued on the fallout of other fixed-income equities.

MR. CENTER moved on to the Fund performance and began looking at asset allocation as of June 30th which was compared to the first quarter and showed a minor increase of public equity and a minor decrease to fixed income.

TRUSTEE RUTHERFORD asked how long the current risk allocation has been in use.

MR. ALLEN replied that the Permanent Fund took on a global perspective on their non U.S. Equities over five years ago, which goes back prior to his becoming a lead consultant on the account.

MR. ZINN asked for comments in the latter section on the new portfolio proposals. He stated that it might be helpful for the Trustees to hear Callan's perspective on the prospective return of risk in terms of the tradeable income section and maybe the overall portfolio that is constituted today.

MR. ALLEN replied that a fair amount of time was spent going back and forth, modeling, and narrowing down what the target should look like.
VICE CHAIR BRADY stated that he did not have the authority to engage Callan in extra special projects or work, but suggested getting an analysis from them showing where the different levels at which liquidity are and where we go off the cliff. He proposed engaging Callan to do that.

MS. RODELL stated the necessity to make sure that Callan gets very specific direction as to what to analyze in terms of liquidity management and what the assumptions are to what a program would look like going forward.

A discussion continued on the bill that the Senate passed last year, which is public record, and the approach needed to go forward this year.

CHAIR MORAN called for a break.

(Break.)

CHAIR MORAN called the meeting to order and asked Ms. Rodell and Mr. Read to continue.

STRATEGIC PLAN AND INVESTMENT POLICY REVIEW AND DISCUSSION

MS. RODELL stated that all the information that was presented at the September 2nd work session is before the Board. She continued that what is being requested is to approve the strategic plan for the next five years, 2017 to 2021, along with an investment strategy and a revised investment policy. She noted that these documents will be reviewed, with adjustments to the extent that the mission of the requirements of the Fund change over the next five years; because it is important to recognize that a lot can happen over the course of that time period. The first strategic priority will be to gain legislative approval for direct internal control of resource allocation. This is achieved with three objectives that by fiscal year ’19 the budget appropriation would be moved under the language section from the straight numerical section of the budget; secondly, would be that the budget is a single appropriation without allocation; and by fiscal year ’20, identifying and proposing a solution enabling APFC to receive its budget directly without appropriation. She continued that transparency as to what the Board of Trustees is presented in setting the budget priorities and the associated line items will continue.

MR. READ stated that there are three parts to the next discussion: an overview of the investment management plan; second, the policies and procedures; and third the real estate investment strategy. He stated that there was a review of the five-year strategic plan that had been in place in 2011, which had followed a five-year strategic investment plan from 2006. He then proposed revised mission, vision, objectives, benchmarks, plan for success, and action steps. He added that the final part of the action step process is seeking approval. He stated that the mission is to manage and invest the assets of the Permanent Fund with other funds designated by law. The vision is to deliver sustained, compelling investment returns as the United States’ leading sovereign endowment manager benefiting all current and future generations of Alaskans. This reflects statutory language and intent of the Board, as well as staff aspirations. It emphasizes maximizing returns in a fully sustainable manner and underscores the intention of the Fund to be a perpetual resource for the State of Alaska, and embodies the core values of integrity, stewardship and a passion for excellence.

TRUSTEE CASH stated that he is not familiar with the term "build to core."

MS. DURAN replied that the idea is to be able to build the quality asset. She gave the example that today it is very expensive to buy a core office building, paying a 4 percent cap. If that can be built to return costs that are higher than that 4 percent, then value is created when it is leased. It would become a much-disciplined approach to build a core. She added, that concept had been implemented at Tyson's Corner, and with the Simpson Housing investment.

MR. READ moved to infrastructure and special income opportunities. He stated that there were three different distinctive asset classes, and we are bundling them to one asset class: infrastructure, private credit, and special income strategies, with the same standard for success. He added that this is a living document; something, which can and should change in the future based on the Board's requirements and expectations, as well as staff recommendations. He asked for comments, insights, and votes for the overall framework, the investment policy and procedures.

VICE CHAIR BRADY responded that there is not much variation from what was discussed in the work session.

MR. ALLEN suggested having a target, which will allow measuring whether the asset allocation decisions are adding value or whether the managers are adding value. He stated, that would make the job easier in terms of coming here every quarter.

MR. READ proposed setting a target to have one that is a linear interpolation over the course of the coming five years.

TRUSTEE HOFFBECK commented that he likes the structure; it is a definite move in the right direction. He continued that he thinks that the targets are a little lower than what could actually be accomplished.

TRUSTEE RUTHERFORD asked for clarification on developing component budget proposals and that entire process. She noted that if something needs to be changed it would be easier with the one appropriation structure within the budget document.

MS. RODELL agreed, and stated that part of this is to empower the Board, because right now it does a tremendous amount of work in each of the components. She added that, because we are part of the Executive Budget Act, this goes to OMB for administration review to be included in the Governor's budget. There have been times when that process has amended what the Board has approved and then it was amended again by the Legislature. She added that the public process has always happened at the Board level; the detail has always been discussed at length at public meetings with the ability to go back and look through all the previous meetings. She states that this is a streamlining of the process and to really have the direction of an independent board being held up.

CHAIR MORAN asked for any proposed language for the motions.

MS RODELL stated the recommendation is that the Board of Trustees adopt the proposed strategic plan for fiscal year ’17 through ’21, the five-year investment management plan, and the investment policy, including the real estate strategy.

> **MOTION:** TRUSTEE RUTHERFORD made a motion that the Board of Trustees adopt the proposed strategic plan, which encompasses the five-year period, 2017 through 2021, and the associated five goals and objectives. TRUSTEE CASH seconded.
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> Following a roll call vote, the MOTION was UNANIMOUSLY APPROVED by all Trustees in attendance.
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> **MOTION:** TRUSTEE HOFFBECK made a motion that the Board of Trustees moves the proposed Alaska Permanent Fund Corporation Five-Year Investment Management Plan for 2017 through 2021, which includes creating four new asset boxes. We will now have tradeable growth, tradeable income, illiquid growth, and illiquid income with a range for tradeable of 50 to 65 percent and a range for illiquid asset classes of 35 to 50 percent. Included with this is the adoption of the Revised Investment Policy, including the Real Estate Strategy. Upon approval of this motion, the Corporation is empowered to move forward with the public process for related regulatory requirements. TRUSTEE CASH seconded.
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> TRUSTEE FISHER stated that growth was used differently than he was accustomed to hearing. He continued that this is not growth versus value, and asked if this is getting growth in the portfolio.
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> MR. READ replied yes, it refers to what will produce more defendable income than the average.
>
> Following a roll call vote, the MOTION was UNANIMOUSLY APPROVED by all Trustees in attendance.

MR. READ stated that associated with this will be very compelling intuitive reports that will move from the categorizations that were used in the past -- which were cash, company risk, real asset risk, and special opportunities risk -- to the six asset classes. Historically, these reports have been produced on a monthly and daily basis. He asked if the Board would like to continue receiving daily reports on the Fund.

CHAIR MORAN asked if the daily report would continue.

MS. RODELL replied yes, internally.

After discussion, it was decided to keep the daily report.

CHAIR MORAN moved to the next item, which was to go into Executive Session because it has to do with IT security.

EXECUTIVE SESSION

MS. RODELL asked the following staff to stay in for Executive Session: Chris Poag, general counsel; Brian Duncan, director of IT; and Laura Achee, director of operations.

MOTION: VICE CHAIR, BRADY moved that in accordance with Alaska Statute 44.62.310(c)(1) pertaining to the Open Meetings Act, that the Board of Trustees convene in executive session to discuss the security audit information technology system. This topic may be considered in an executive session as it involves matters that immediate knowledge of would clearly have an adverse effect upon the finances of the public entity. TRUSTEE RUTHERFORD seconded.

Following a roll call vote, the MOTION was UNANIMOUSLY APPROVED by all Trustees in attendance.

(Executive Session from 4:38 p.m. until 5:18 p.m.)

CHAIR MORAN announced that while in Executive Session the Board considered matters only mentioned in the motion and took no action. He adjourned the meeting for today and will come back into session tomorrow morning after the presentation.

MS. RODELL stated that the building dedication will be in the atrium starting promptly at 8:30, and the board meeting should start about 9:00 a.m.

(Meeting adjourned at 5:19 p.m.)

SEPTEMBER 28, 2016

CHAIR MORAN reconvened the annual meeting and turned it over to Rose Duran for introductions.

MS. DURAN stated that the European managers have been invited to present an update on their respective regions. She continued that they would also discuss implications of Brexit on both the U.K. and the rest of the European market. She introduced Julian Agnew and Mahdi Mokrane from the LaSalle U.K. team.

MR. AGNEW stated that he is the chief investment officer at LaSalle U.K. and has 30 years of experience as a fund manager.

MR. MOKRANE stated that he is head of strategy and research at LaSalle Investment Management and covers Europe with a team of ten strategists and economists. He began with a synopsis of LaSalle, stating that they are part of a global platform run out of eight offices, investing in 13 countries. The LaSalle U.K. has been operating for over 35 years, and the clients that started with the company are still there, while the European business is about 20 years old. He began with a screen shot from the leading financial paper, *Financial Times*, the day before Brexit. He added that Mr. Agnew would give a strategic view of what that means.

MR. MOKRANE shared a couple of observations beginning with what Brexit is. He stated that this is essentially ending a 43-year relationship in a Union and is different from the structure here in the United States. He continued that in a Union, there is free flow of goods, of services, people, and there is no fiscal unification within the European Union. The U.K. is the largest economy in the region and is going to exit that block and renegotiate with its main trading partnership, the E.U. and Procedure 27. The vote was 71.8 percent, and the outcome was tilted in favor of leaving. A period of high uncertainty is being entered. For the U.K. businesses, it means that doing business in Europe is going to be more complicated. He added that there is a two-year maximum period in which the U.K. has to activate Article 50, which essentially enacts the Act of Brexit. He stated that it is very difficult to pinpoint exactly what will happen because it has political elements, as well as being grounded on some of the economic features. He added that the United Kingdom went into this vote and surprise outcome with a very strong economic position. The unemployment rate was very low; GDP was one of the fastest and strongest of the OECD countries; there was a very strong economy. He stated that unemployment would not be massively impacted by Brexit. The REITs market, the listed real estate market, has reacted strongly and there have been many inquiries from some of the global clients about the open-ended funds in the U.K. The difference between the United States and the open-ended funds industry is that the U.K. offers daily redemption. He added that a natural investment recommendation would be to focus on domestically oriented services and retail.

MR. AGNEW stated that post-Brexit it is a strong occupier market, probably stronger than what it was, logistically. What is being told to investors is to stick with the very best properties, stick with core, but there will be bumps along the road.

TRUSTEE HOFFBECK asked for an underlying background of what Britain's relationship was with the European Union before the E.U. was formed, after the E.U., and speculating on what it will look like.

MR. MOKRANE replied that in looking back the world was different, and explained the relationships with each individual country. The comparison with today would not fit the situation. He stated that two major economies have a major demographic issue and those are Japan and Germany. Japan is losing about a million inhabitants per year. Germany is not in the same situation as Japan, but are not very far behind. Everything else being equal, the natural direction of Germany's population is minus 500,000 a year. There is a major demographic issue and Angela Merkel, the chancellor, took a very strong stance and big political risk in accommodating those migrant flows. Managing those folks was a failure of the German government up until now, and they are still backing away. Today that is a burden, and Germany sees it as an opportunity. The major European stance today is to strike a deal with Turkey to stop the migrants at the Turkish frontier, which seems to be working. There were still a million migrants in Germany over the course of 2015. It is the magnitude of the flow being so big and fast that the German government was overwhelmed.

MR. SANGER stated that he is from CBRE Global Investors, and on the line is his colleague, Sabina Kalyan, head of global economics and head of research for his team. He continued that they are a U.S.-based corporation, working for the EMEA section. The European-based section is a platform of 14 offices across 14 countries with investments in 18 European countries. In total, about $28 billion is managed on the Continent or across Europe, with around nearly $16 million in separate accounts.

MS. KALYAN talked about the economic outlook and the view of the European landscape and global market. She stated that the major impact has been on the monetary policy outlook and the currency, with the key point that in Europe there is much to defeat in that monetary policy than previously impacted. She continued through her slide presentation, discussing the Spanish and Portuguese economies. She went through the forecasts since Brexit, and stated that in major parts of Continental Europe the real economy was broadly unaffected by Brexit.

MR. SANGER talked about the assets and the investments that have been made to date for the Fund in Europe. He explained that Immochan is one of Europe’s largest retailers; a private, family-owned company that started in the 1960s, principally centered on a hypermarket business. He continued by explaining and describing the assets.

A panel discussion ensued.

MS. DURAN as the panel moderator asked: What or how can the EC, the European Community, work to contain the EU members in place so there is not an exodus.

MR. SANGER replied that, from the Continental perspective there is a bit of a divorce case feeling here, with some feeling slighted in the process. Although both parties have great interest in working together and have a future that is strongly linked, there is a galvanization of views on the Continent that will not be easily addressed.

MS. KALYAN agreed and thought it would be a tough and difficult Brexit. She stated that it is not just about how the EU woos its member states and is more general than that. She added that the bottom line is that far more political analysis, macro analysis and downside-scenarios testing will be done than what was done pre-Brexit.

CHAIR MORAN thanked all and called a short break.

(Break.)

CHAIR MORAN stated that the next item on the agenda was a discussion of an investment opportunity that needs to be done in Executive Session. He asked for a motion.

MOTION: VICE CHAIR BRADY made a motion that in accordance with Alaska Statute 44.62.310(c)(1), Open Meetings Act, that the Board of Trustees convene in executive session to discuss the merits of potential investment opportunities. This topic may be considered in executive session as it involves management needs and knowledge of which would clearly have an adverse effect upon the finances of the public entity. TRUSTEE FISHER seconded.

Following a roll call vote, the MOTION was UNANIMOUSLY APPROVED by all Trustees in attendance.

(Executive Session from 10:57 a.m. until 11:55 a.m.)

CHAIR MORAN called the meeting back to order. He announced that while in executive session the Board considered only the matters mentioned in the motion and took no action.

MOTION: TRUSTEE FISHER made a motion that the Board approve of the acquisition of Bromley, a retail center in London. TRUSTEE CASH seconded.

Following a roll call vote, the MOTION was UNANIMOUSLY APPROVED by all Trustees in attendance.

UPDATE ON SIMPSON HOUSING

MS. DURAN stated that Paul Saylor and Michael McHargue from CS Capital are here to give an update on the Simpson Housing investment. The interest in Simpson Housing was acquired in March of 2006, and at that time the Fund was very underweight multifamily. The research at the time pointed to very strong demographics near both term and long term. She continued that it would be nearly impossible to acquire and assemble today a portfolio of multifamily assets on this scale on a one-off acquisition basis. In addition, the Fund has co-ownership of the company itself, which is a platform of professionals that manage, own, and acquire the multifamily properties, and they only do dedicated property management to Fund properties.

MR. SAYLOR stated that he and Mr. McHargue were involved in the initial analysis of the investment opportunity, the underwriting of it, and have been involved in the management of it, as well as some other people at CS. There is a great deal of consistency of people who know the deal very well and are continuing to represent the Fund.

MR. McHARGUE began with a brief history of the company, explained how the company generated those returns, and then segued into the specific summary of the investment to date. He continued forward with the history and stated that the senior executives all average at least 15-plus years with the company. He stated that the Permanent Fund has invested $977.5 million since the first day back in April of 2006, and Simpson Housing has returned just under $238 million worth of dividends over that time. He explained how that was established and where those values came from. He continued with the performance returns and showed how those compared to the relative and appropriate indices. He added that the report indicates that the metrics were hit and actually exceeded most of the projections. The average age of the 5,262 units that were sold in the last five years was 24 years.

MS. DURAN interrupted and stated that in going through the CS Capital presentation, any discussion on the ongoing ownership or potential exit options involved with the review of Simpson Housing will have to be reserved for executive session.

(Break.)

> **MOTION**: VICE CHAIR BRADY made a motion, in accordance with Alaska Statute 44.62.310(c)(1) of the Open Meetings Act, that the Board of Trustees convene an executive session to discuss the merits of potential investment opportunities. This topic may be considered in an executive session as it involves matters which immediate knowledge of would clearly have an adverse effect upon the finances of the public entity. TRUSTEE RUTHERFORD seconded.
>
> Following a roll call vote, the MOTION was UNANIMOUSLY APPROVED by all Trustees in attendance.

(Executive session from 12:58 p.m. until 1:34 p.m.)

CHAIR MORAN came back into regular session and announced that while in executive session the Board considered only the matters mentioned in the motion and took no action. He stated that next on the agenda is the intern program.

REPORT ON APFC INTERN PROGRAM

MS. RODELL introduced Chad Brown, the human resources manager.

MR. BROWN began with a brief history of the internship program and added that this year it was decided to have only in-house interns at APFC, and the external manager based program was not offered. Currently, there are two interns, Maura Garland was from Columbia University; and Jacki Mallinger was from the University of Alaska Anchorage. Jacki was not recognized as a new employee yesterday, and he added that she has become a fantastic addition to the accounting team on a full-time basis. He continued that along with Jacki, Joe Shinn, Jane Sherbrooke, and Chris LaVallee, four people within the organization have come through this internship program. By only having internal internships, the heavy administrative workload associated with the external manager based program was reduced. He added that he and Angela would continue evaluating and balancing the ways that Alaskans can be helped through the internship program, and maximize the return on investment for the Fund.

TRUSTEE FISHER stated that the external manager based internship program is not just for Alaskan students, but also for Alaskans and students outside. He suggested considering ways of offering the program by putting the burden of administration on managers that are highly motivated to take the interns, and not on APFC.

MR. BROWN moved to the personnel management plan, stating that the components involve expanded job titles and classification system; expanded and adjusted salary levels, total compensation, training and employee development; and some minor PMP changes. He proposed adding three additional pay grades, with key considerations to supporting pay bands going up through 20 and offered key considerations in support of this proposal.

MS. RODELL stated that the proposal today is to adjust the existing bands up and adding three additional categories at the top.

MR. BROWN explained the pay-band classifications, compensation considerations, and bonus structure components.

TRUSTEE FISHER stated that the Permanent Fund has reached a stature that the opportunity to work here is meaningful, and layering substantial training opportunities onto that could help attract the kind of talent that is desired.

MR. BROWN moved on to the proposed incentive compensation and reviewed eligibility considerations for operations staff, as well as investment staff and some budget considerations as well as impact.

MS. RODELL stated that the request at this time is to not take up proposed incentive compensation; however, it would be beneficial to consider a structure for continued work on this matter under corporate actions.

MR. BROWN explained the administrative policy, training and development policy.

> **MOTION**: VICE CHAIR BRADY made a motion that the Board adopt proposed job titles and classification, and the adjustment of pay bands based on CPI, along with the addition of the new pay bands. TRUSTEE CASH seconded.
>
> Following a roll call vote, the MOTION was APPROVED by a majority of the Trustees in attendance with 5 Yes votes and 1 abstaining (TRUSTEE FISHER).
>
> **MOTION:** VICE CHAIR BRADY made a motion to bring the appropriately qualified employees up to the minimum of the adjusted pay bands and to adopt the language for the compensation considerations, training and development, and the promotion and merit increases. TRUSTEE RUTHERFORD seconded.
>
> Following a roll call vote, the MOTION was UNANIMOUSLY APPROVED by all Trustees in attendance.

MOTION: VICE CHAIR BRADY made a motion to authorize going forward with an external compensation analysis.

CHAIR MORAN stated that he would like an idea of what this would cost and how comprehensive it will be.

A short discussion ensued.

VICE CHAIR BRADY withdrew his motion.

(Break.)

CHAIR MORAN called the meeting back to order.

FY18 BUDGET APPROVAL

MS. RODELL stated that in an earlier discussion on the budget proposal, two options had been presented. She continued that a recommendation for one of the options would be made and added that the options are open to any adjustments that the Board desires. She stated that a motion to approve a specific budget would be asked for at the end of the discussion. She asked Ms. Achee to continue.

MS. ACHEE stated that the difference between the two options, Option 1 and Option 2, is the addition of the incentive compensation plan that Mr. Brown discussed in the last section that the Board decided to get more information on before making any decision. She continued that every single position, every single dollar, every pencil, every workstation, everything in the office, every light bulb goes toward investment management. She stated that Option 1 would bring a total budget of $155 million. That is a $5 million decrement from what the authorization was in FY17 for the two separate allocations that were within the appropriation. She went through the budget and stated that there were five objects of expenditure: personnel services; travel component; contractual services; commodities; and capital outlay or equipment. She went through each one in detail.

CHAIR MORAN asked if a motion was needed to approve the budget as presented.

MOTION: TRUSTEE FISHER made a motion that the Board direct staff to submit the proposed budget outlined in Option 1 to the Department of Revenue for inclusion in the fiscal year '18 budget. TRUSTEE RUTHERFORD seconded.

TRUSTEE CASH disclosed a conflict of interest and abstained from the vote.

Following a roll call vote, the MOTION was APPROVED by a majority of the Trustees with 5 Yes votes and 1 abstaining (TRUSTEE CASH).

MS. ACHEE moved back to the FY17 budget and stated that a transfer of $30,000 from the contractual services line to the equipment line be moved. This requires Board approval.

> **MOTION:** TRUSTEE CASH made a motion to approve a transfer of $30,000 from the contractual services line to the equipment line in the FY17 budget. TRUSTEE HOFFBECK seconded.
>
> Following a roll call vote, the MOTION was UNANIMOUSLY APPROVED by all Trustees in attendance.

CHAIR MORAN moved to legislative requests.

LEGISLATIVE REQUESTS

MS. RODELL stated in December last year, the Board approved taking forward a request to pursue legislation that would exempt the Alaska Permanent Fund Corporation from the State Procurement Code and add the Fund to the list of public corporations, similar to the Alaska Retirement Management Board, Alaska Housing Finance Corporation, et cetera, and to adopt regulations for the procurement of supply services and professional services. She continued that the legislation failed during the past session. This request is for permission to go forward and pursue it again.

A discussion ensued.

> **MOTION:** TRUSTEE RUTHERFORD made a motion that the Board approve taking forward a request to pursue legislation that would exempt the Alaska Permanent Fund Corporation from the State Procurement Code and add the Fund to the list of public corporations similar to the Alaska Retirement Management Board, Alaska Housing Finance Corporation, et cetera. TRUSTEE FISHER seconded.
>
> Following a roll call vote, the MOTION was UNANIMOUSLY APPROVED by all Trustees in attendance.

CHAIR MORAN moves to the election of corporate officers.

ELECTION OF CORPORATE OFFICERS

MS. RODELL stated the recommended action of electing a chair, a vice chair, the chair of the Governance Committee, and the members of the Audit Committee.

TRUSTEE HOFFBECK stated that part of the request was for a budget subcommittee or someone to be more actively involved in the structure of the budget. He continued, not necessarily a formal committee, but some process for the Board to have more involvement instead of just at the committee meetings.

MS. RODELL explained that adding a new standing committee on the budget would require an amendment to the bylaws. She stated that an ad hoc committee might be added at any time for any particular projects.

MR. POAG explained that it is easy to add an ad hoc committee because it is already contemplated by the bylaws and is something that the Chair appoints. Standing committees are identified, and amendments to the bylaws require 30 days' advanced notice.

MS. RODELL stated the need to appoint the Audit Committee, and added that whoever is elected as vice chair will become the chair of the Governance Committee automatically.

> **MOTION:** TRUSTEE RUTHERFORD made a motion that the Board request that Chairman Moran continue to serve as the chairman of the Trustee Board. TRUSTEE CASH seconded.
>
> Following a roll call vote, the MOTION was UNANIMOUSLY APPROVED by all Trustees in attendance.

MS. RODELL congratulated Mr. Chairman.

CHAIR MORAN stated that a vice chair needed to be appointed.

> **MOTION:** TRUSTEE CASH nominated Trustee Brady to continue serving as vice chair. TRUSTEE FISHER seconded.
>
> Following a roll call vote, the MOTION was UNANIMOUSLY APPROVED by all Trustees in attendance.

CHAIR MORAN moved to the Audit Committee and appointed Trustees Rutherford, Cash, and Fisher.

VICE CHAIR BRADY stated that everyone on the Board has the right to attend the meetings.

MS. RODELL stated that the vice chair of the board, who is the chair of the Governance Committee, needs to appoint two additional members to the Governance Committee.

VICE CHAIR BRADY stated, along with himself, the Chair and Trustee Rutherford.

MS. RODELL stated that a Governance Committee meeting is needed in December.

VICE CHAIR BRADY asked that it be scheduled and noticed.

TRUSTEE FISHER asked if there was an interest in adding an ad hoc committee to look at the incentive compensation.

CHAIR MORAN replied that he and Ms. Rodell would talk about it, then call around, and see what everyone would like to do on that. He moved on to Legal Matters.

LEGAL MATTERS

MR. POAG stated that there was litigation filed by three Plaintiffs: Bill Wielechowski, Rick Halford, and Clem Tillion. It was filed on September 16th, and APFC was served by mail on September 19th, with 40 days to serve a response. There are three assistant attorneys general assigned to the case: Kate Vogel, Bill Milks, Margaret Paton-Walsh. He gave some background on the case, stating that he will keep the Board updated.

CHAIR MORAN moved on to a review of the meeting schedule.

MS. RODELL explained that the meetings in 2016 were in Juneau and Anchorage, and that having meetings in Juneau saves about $20,000 in travel costs annually.

A discussion ensued on the lack of public participation in the meetings, and on scheduling.

CHAIR MORAN moved to the investment adviser comments.

INVESTMENT ADVISER COMMENTS

MR. ZINN, in looking forward, stated that it is apparent with the now approved five-year plans, strategic, investment, management, all the policies, it was important to look backwards and recognize the contributions of Mike Burns; as people did during the building dedication. As importantly and more recently, the interim staff and Angela Rodell have transitioned the Fund and clearly more progress has been made. That is a real congratulations to all involved. He discussed the importance of the capabilities of not just the front office, but also the middle and back offices are important, and their abilities to operate as a team in a collaborative fashion relative to incentive compensation.

CHAIR MORAN moves to Trustee comments.

TRUSTEE COMMENTS

VICE CHAIR BRADY stated that one of the highlights of this meeting was Russell Read's presentation, which was thorough, comprehensive, forward-looking, with the flexibility needed to go forward with whatever legislation may be added to it, anticipating those changes. He continued that he was also pleased in changing the name of this building this morning to the Michael J. Burns Building, which was very meaningful. He thanked all for their help on that.

TRUSTEE HOFFBECK stated that the comments of the staff and the work at this particular meeting feels like we are moving again, and it feels great.

TRUSTEE RUTHERFORD stated that she was incredibly impressed with the work that has been presented to her as a new board member and the efforts made to bring her up to speed. She thanked all for the hard work, and stated that it has been a very effective two-day meeting. She noted, for potential December board meeting agenda items, is the review of the final proposal legislation that comes out from the Administration on the sovereign fund, and the second was some discussion on a currency strategy.

TRUSTEE CASH echoed the comments regarding this being a great meeting. He thanked Ms. Rodell and Mr. Read and the staff for all of the hard work. He also appreciated and echoed Trustee Brady's comments regarding Mike Burns. This morning's event was very meaningful.

MS. RODELL stated that she knew the amount of work that was done in the month of September and added that more actions were taken in the last two days than in the last year, and she really appreciates all the time and effort and discussion.

CHAIR MORAN echoed everyone else's comments and added that he is always amazed every year at how fast staff gets the annual report out and the fantastic job they do. This is the best yet.

VICE CHAIR BRADY moved adjournment.

CHAIR MORAN adjourned the meeting at 4:14 p.m.